



Australian Bureau of Statistics

6102.0 - Labour Statistics: Concepts, Sources and Methods, 2001

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INTRODUCTION

7.1 This chapter discusses the concept 'not in the labour force'. It follows on from the discussion on employment (Chapter 3) and unemployment (Chapter 6) and concludes the discussion on the currently economically active population.

CONCEPTS AND INTERNATIONAL GUIDELINES

7.2 According to the international standards (Thirteenth ICLS 1982), the population not currently economically active (that is, not in the labour force) comprises all people not currently employed or unemployed, irrespective of age. Theoretically, then, those not in the labour force include children and young people below the age specified for measuring the economically active population, and older people who have retired from the workforce. The standards recognise that, for analytical purposes, the economically active population may be related to the total population for the derivation of a crude participation rate or, more appropriately, to the population above the age prescribed for the measurement of the economically active population. In practice, many countries restrict the population scope of household surveys, and provide separately sourced estimates for those below the age limit when a total population estimate or a crude participation rate is required (e.g. for international reporting).

7.3 Not all persons who are classified as not in the labour force are voluntarily inactive; some want to work but are classified as not in the labour force because they do not satisfy the criteria for unemployment (active job search and availability to start work - see Chapter 6 for further discussion).

7.4 The international guidelines (ICLS 1982) recommend that persons not in the labour force may be classified by reasons for inactivity, which are listed as:

- attendance at educational institutions;
- engagement in household duties;
- retirement or old age; and
- other reasons such as infirmity or disablement.

MARGINAL ATTACHMENT TO THE LABOUR FORCE

7.5 The international guidelines (ILO 1982) suggest that, where the standard definition of employment is used, countries develop classifications of persons not in the labour force according to the relative strength of attachment to the labour market. The ILO, in its manual

Surveys of Economically Active Population, Employment, Unemployment and Underemployment, states that persons marginally attached to the labour force are those not economically active under the standard definitions of employment and unemployment, but who, following a change in one of the standard definitions (of employment or unemployment), would be reclassified as economically active.

Discouraged workers

7.6 The guidelines recognise that, though not precise in concept (nor defined in the international guidelines), the term 'discouraged worker' generally refers to people who want a job and are currently available for work but have given up any active job search because they believe they cannot find a job. Discouraged workers are a small component of the marginally attached.

DEFINITIONS USED IN ABS SURVEYS

7.7 The ABS produces estimates of persons not in the labour force in a number of household surveys. The definition used is consistent with the concepts outlined above except for persons younger than 15 years of age who are generally excluded from ABS measures of labour force status, and for whom separate estimates are available when required. Persons not in the labour force are therefore generally defined in ABS household collections as 'persons aged 15 years and over who were neither employed nor unemployed'. Those not in the labour force include people who were:

- keeping house (unpaid);
- retired;
- only in education (students);
- not working and not wanting to work (voluntarily inactive);
- permanently unable to work;
- in institutions (hospitals, gaols, sanatoriums, etc.);
- members of contemplative religious orders; or
- only undertaking unpaid voluntary work for a charitable organisation.

7.8 Estimates of persons not in the labour force vary across different household surveys. This results from differences in the definitions of employment and unemployment used in these surveys. As discussed in preceding chapters, the Labour Force Survey is designed to produce precise estimates of employment, unemployment and not in the labour force, and definitions used align closely with international standards. In other household surveys, it is generally not practical to define employment and unemployment as precisely as in the Labour Force Survey. While estimates of employment, unemployment and persons not in the labour force are designed to be consistent with the international definitions, the definitions used differ slightly from those outlined in the international standards. Two alternative questionnaire modules are used to collect measures of employment, unemployment and persons not in the labour force in these surveys - the reduced questionnaire module (for use in personal interview) and the self-enumerated questionnaire module.

7.9 Estimates of persons not in the labour force produced from the reduced questionnaire module (used in most Special Social Surveys) differ from those produced from the Labour Force Survey. Estimates produced from the reduced questionnaire module are higher than those

produced from the Labour Force Survey. This results from differences in the treatment of certain categories of persons:

- the reduced questionnaire module for personal interviews does not ask respondents who were not available to start work the reasons they were not available during the reference week. Therefore, the reduced questionnaire module does not identify persons who looked for work in the four weeks to the end of the reference week, but were not available to start work in the reference week because they were waiting to start a new job within four weeks from the end of the reference week (and could have started in the reference week if the job had been available then). Using the reduced questionnaire module such persons are classified as not in the labour force rather than as unemployed (about 1% of unemployed); and
- in the Labour Force Survey, persons on workers' compensation last week and not returning or 'don't know if returning' to work, and persons away from work for four weeks or more without pay, are classified as either unemployed or not in the labour force. Using the reduced questionnaire module, all cases of absence responding as usually working one hour or more a week, are classified as employed (about 0.1% of employed).

7.10 The self-enumerated questionnaire module (used in the Census of Population and Housing) also produces different estimates of persons not in the labour force when compared to the Labour Force Survey. Some differences result from the shortened set of questions, which cannot determine labour force status as precisely as the Labour Force Survey. Other differences result from the self-enumeration nature of the questions and the inevitable differences in interpretation across respondents. As a result, estimates of persons not in the labour force from the self-enumerated questionnaire module are best used as explanatory or classificatory variables to explain other phenomena, rather than for detailed analysis of the labour force itself.

MARGINAL ATTACHMENT TO THE LABOUR FORCE, DISCOURAGED JOB SEEKERS

7.11 Measures of persons marginally attached to the labour force and discouraged job seekers are collected by the ABS annually in a supplementary survey to the Labour Force Survey, the Persons Not In the Labour Force Survey. Definitions used in this survey are outlined below.

Marginal attachment

7.12 Persons with marginal attachment to the labour force comprise those persons who are not in the labour force, who wanted to work, and:

- had actively looked for work (in the four weeks up to the end of the survey reference week) but did not meet the availability criterion to be classified as unemployed; or
- were not actively looking for work but were available to start work within four weeks (from the end of the reference week) or could start work (within four weeks from the end of the reference week) if child care was available.

7.13 This definition is consistent with that suggested by the international guidelines, and involves relaxing the criteria used to determine unemployment in the Labour Force Survey as follows:

- persons meeting the first set of criteria above (wanting to work, actively looking for work, not available to start work) would have been classified as unemployed if the unemployment criterion 'currently available for work' had been waived;

- persons meeting the second set of criteria above (wanting to work, not actively looking for work, available to start within four weeks) would have been classified as unemployed if the unemployment criterion 'active job search' had been waived and the criterion 'currently available for work' had been relaxed to include the next four weeks. The circumstances which would permit people to start a job are likely to differ between people in the labour force and those not in the labour force. Accordingly, a reference period of four weeks for the availability criterion is adopted rather than current availability, as for the unemployed.

Discouraged job seekers

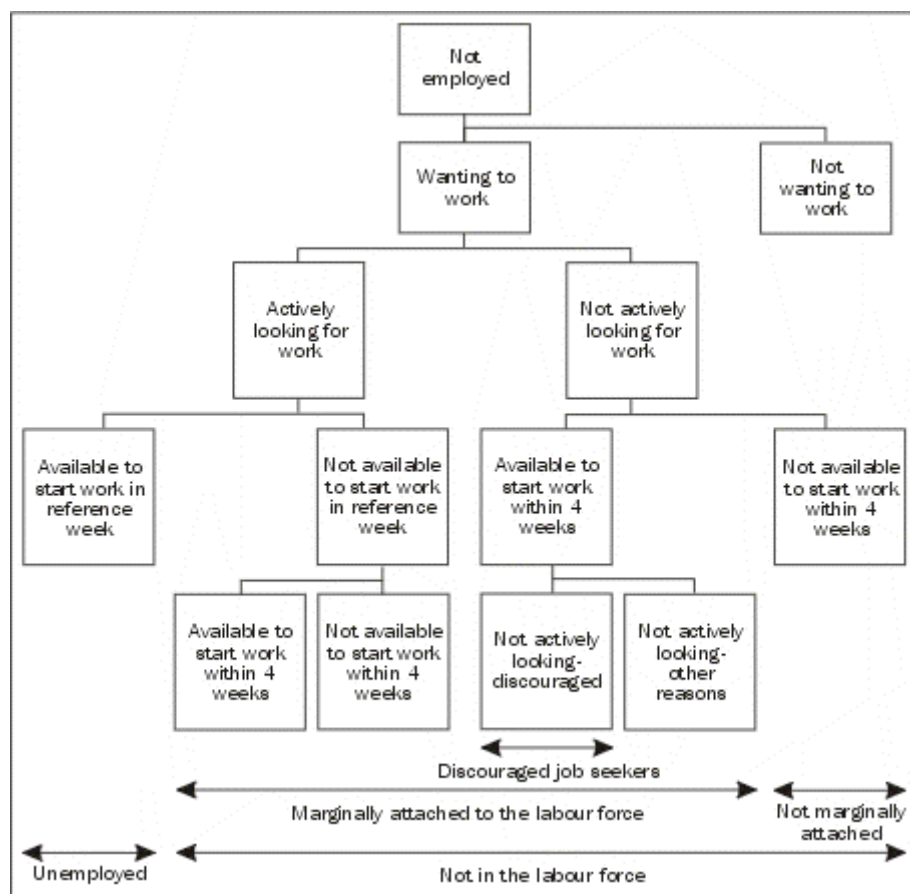
7.14 Discouraged job seekers are defined as persons with marginal attachment to the labour force who wanted to work and were available to start work within the next four weeks, but whose main reason for not actively looking for work was that they believed they would not find a job for any of the following reasons:

- considered to be too young or too old by employers;
- lacked necessary schooling, training, skills or experience;
- difficulties with language or ethnic background;
- no jobs in their locality or line of work; or
- no jobs available at all.

This definition of discouraged job seekers is consistent with the definition of discouraged workers outlined in international guidelines.

7.15 Diagram 7.1 illustrates the concepts of not in the labour force, unemployed, marginally attached, and discouraged job seekers, as measured in the Persons Not In the Labour Force Survey.

7.1 CONCEPTUAL FRAMEWORK: PERSONS NOT IN THE LABOUR FORCE



DATA SOURCES

7.16 Estimates of persons not in the labour force are available from:

- the Labour Force Survey;
- the supplement to the Labour Force Survey, the Persons Not In the Labour Force Survey;
- the Census of Population and Housing; and
- Special Social Surveys.

LABOUR FORCE SURVEY

7.17 The Labour Force Survey is the official source for Australian employment and unemployment statistics and defines persons not in the labour force according to the definitions outlined above, using the full questionnaire module. In the survey, persons not in the labour force are further classified as:

- looking for work (i.e. either undertook active job search and were not available to commence work, or undertook only passive job search);
- not looking for work;
- permanently unable to work; and
- in institutions.

7.18 Estimates of reason for inactivity, marginal attachment and discouraged job seekers are

impractical to collect in the regular labour force survey, on the grounds of cost, time and respondent burden. These topics are therefore measured in an annual supplement to the Labour Force Survey, as noted below. Notwithstanding this, the Labour Force Survey produces estimates, on a quarterly frequency, of the number of marginally attached persons who had actively looked for work, were not available to start work in the reference week, but were available to start within four weeks. For more details on the content and methodology of the Labour Force Survey refer to Chapter 19.

SUPPLEMENTARY SURVEY: PERSONS NOT IN THE LABOUR FORCE

7.19 The supplement to the Labour Force Survey, the Persons Not In the Labour Force Survey is the primary source for detailed information on persons not in the labour force. Persons not in the labour force are defined as for the Labour Force Survey, but the scope of the survey is restricted to persons aged 15-69 years. The survey produces estimates of persons marginally attached to the labour force, of discouraged job seekers, and of persons not in the labour force classified by reasons for inactivity. The definitions for marginal attachment and discouraged job seekers used in the survey are discussed above. For further information on the content and methodology of the survey refer to Chapter 20 Section 10 .

CENSUS OF POPULATION AND HOUSING

7.20 The Census of Population and Housing uses the self-enumerated questionnaire module and defines persons not in the labour force as 'persons aged 15 years and over who, during the week before census night, were neither employed nor unemployed'. As discussed previously, the self-enumerated questionnaire uses a limited set of questions to collect labour force status in the Census and measures persons not in the labour force more broadly than collections using the full questionnaire modules, including the Labour Force Survey and its supplementary topic Persons Not In the Labour Force. When comparing estimates from the Census with those from the Labour Force Survey, or the Persons Not In the Labour Force Survey, users should also note differences in scope and methodologies across the collections. Estimates of persons not in the labour force from the Census are available down to the SLA level.

SPECIAL SOCIAL SURVEYS

7.21 The Special Social Surveys generally use the reduced questionnaire module and define persons not in the labour force as 'persons who were neither employed nor unemployed during the reference period'. Estimates are generally only produced for persons (in scope of the survey) aged 15 years and over. As discussed previously, the reduced questionnaire module uses a limited set of questions to determine labour force status, and measures not in the labour force more broadly than collections using the full questionnaire modules, including the Labour Force Survey and its supplementary topic Persons Not In the Labour Force. When comparing estimates from the Special Social Surveys with the Labour Force Survey, or with its supplementary topic Persons Not In the Labour Force, users should also note differences in scope and methodologies across the collections.

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